

“An analysis of marketing programmes adopted by regional small and medium-sized enterprises”

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Abstract

Objectives/Purpose: To create an understanding of the true nature of contemporary SME marketing activities. Whilst acknowledging operational constraints, we hypothesize that if effective marketing planning was employed, this would improve the long-term growth of small to medium sized enterprises. To assess the implications current practices may have on the long-term survival of enterprises. To identify significant SME marketing development and training needs.

Prior Work: Several authors have cited the inability of SMEs to plan strategically (Kotler, 2000; Corman and Lussier, 1996; Culkin and Smith, 2000). Additionally, SMEs fail to embrace marketing planning increasing their risk of business failure (Fuller, 1994). We referred to marketing-oriented organisations cited by Kohli and Jaworski (1990) who benefited from employing information-related activities: ‘organisation-wide generation, dissemination and responsiveness to market intelligence’.

Design/Methodology/Approach: A marketing audit approach yielded data from the collation of 125 completed on-line questionnaires within the East of England region. Statistical analysis using SPSS was applied to produce an in-depth quantitative analysis of this data. In addition, qualitative data was collected through face to face interviews of some twenty owner-managers these responses were further inductively analysed and interpreted.

Findings: Data analysis demonstrated a significant disparity between their perceived marketing effectiveness compared to their actual practices recorded at interview. Significantly, they failed to understand why campaigns didn’t yield results as they routinely did not employ appropriate controls and procedures. SMEs believed that they were fully cognisant of the effectiveness of their marketing activity, through further exploration; evidence revealed that they failed to employ sufficient review procedures, and in the extreme cases these procedures were non-existent. A direct correlation was also witnessed between company size and the application of effective marketing

planning. Larger enterprises demonstrated a greater awareness of strategic marketing competence.

Implications: That government and business development agencies/organisations can develop a greater understanding of SME marketing training needs. And facilitate development opportunities for building marketing expertise for both existing and potential entrepreneurs.

Value: There is a ‘psychic distance paradox’ between perceived and actual marketing activity as SMEs over-estimate the effectiveness of their marketing programmes. Consequently they may fail to achieve their potential maximising the benefits associated with sound marketing practice. Their ability to understand their marketplace and become truly competitive relies on SMEs developing a deeper understanding of their current marketing decision making processes through the systematic adoption of more robust strategic procedures. In summary, there is an observable difference between marketing activities conducted by SMEs and best practice defined in academic theory.

Key Words: Marketing, competencies, potential, training-needs, development, growth.

INTRODUCTION

The role that entrepreneurship plays in providing this impetus has spawned the work of many authors who have exhaustively evaluated the competencies within small to medium enterprises. However, while they have carefully considered the component parts of an enterprise culture, the exact and true nature of the role that marketing fulfils within this cultural setting has rarely been covered in sufficient detail.

Marketing and entrepreneurship had been regarded traditionally as two distinct fields of study. Although the American Marketing Association (AMA) kick-started the practice of 'entrepreneurial marketing' in 1985-1987, later founding the Academy of Marketing's special interest group in 1994. Other significant research activities were compiled by Shaw and Carson (1995). Despite this formative work and through several ensuing papers, a nagging question 'hovers' over the area of entrepreneurial marketing, has the appropriate adaptation of marketing techniques within the smaller firms context been identified or even catalogued?

It is universally and widely accepted that small businesses are not scaled-down big businesses. Rather, they have their own particular characteristics which largely determine their marketing preoccupations and concerns (Carson and Cromie, 1989, Davis *et al.*, 1985).

Leppard and McDonald (1991) stated that the presence of the owner had a significant impact on every aspect of the marketing activities of SMEs. Kotler (1977) suggests that the small firm pursues its marketing function in a way which aims at insulating it as much as possible from direct competition with more efficient producers.

This does not mean that SMEs do not market or 'simply' sell, but in practice SMEs are sales focussed and are driven by the often pressing need to make a sale. A gap between the role of marketing and small business success is one that remains elusive (Romano and Ratnatunga, 1995). Despite formatting the groundwork, several studies fall back on an analysis whereby an SME is merely classified in terms of its marketing orientation. These studies fail to incisively deconstruct the reasons or operational failings behind an enterprise's failure to develop a marketing expertise.

The traditional view point that small and medium enterprises relied on making sales rather than adopting a 'marketing' focus in developing a definable customer-orientation provided us with a

foundation. Could we test this assertion in analysing current marketing techniques practised by small to medium enterprises?

Reviews as early as the late 1970's including Kotler (1977) suggested that a set of competencies could or should be followed. In doing so SMEs could adopt a 'classical' marketing approach in pursuing a customer-focus, in contrast to a product-led approach to their marketplace.

Kotler suggested an audit that we hypothesized could be adapted to provide SME principals with a tool to assess the level and scope of their current marketing activities.

The utilisation of an audit-led approach would also enable us to pursue a more direct approach than those used in previous SME marketing studies. Practitioners would effectively assess what they believed marketing to be, consider the methods they used, and through discussions we could qualify how their activities compared to their assessment of their marketing competencies?

Existent literature although formative, presents one with some identifiable gaps. How do practitioners make sense of the marketing tools presented to them? A practical assessment of current activities presented itself; which provided one with a base from which we could encourage SME principals to self-audit and discuss at a more in-depth platform, what they actually did in promoting their enterprises.

Two specific research questions were formulated:

- How does the SMEs perceived level of marketing performance compare to the actual marketing programmes' performance?
- Are there any specific elements of the marketing effectiveness audit (customer philosophy, integrated marketing, adequate marketing information, strategic orientation, operational efficiency) that are neglected within SMEs marketing practice?

The paper is therefore structured to address these questions in collating intelligence provided by practising entrepreneurs. From these observations we have constructed a set of practical hypotheses informed from both the marketing-audit literature and the scope of this study, in seeking to discover the exact nature and formation of small to medium enterprise marketing

activity. Subsequently, we compile the methodology, collate the analysis, discuss the findings and outline the implications for SMEs.

HYPOTHESES DEVELOPMENT

The main hypotheses were influenced by the specific components of the marketing effectiveness audit (proposed by Kotler, 1977) i.e. customer philosophy, integrated marketing, adequate marketing information, strategic orientation, and operational efficiency. We constructed each hypothesis to assess the relative relationship evidenced through the questionnaire responses and by analysing the points made by the SME owners / managers during their interviews.

Several authors have cited the inability of SMEs to make effective strategic marketing decisions (Kotler, 2000; Corman and Lussier, 1996; Culkin and Smith, 2000; Miles and Arnold, 1991). In relation to these findings a marketing audit approach was chosen to assess whether this was an accurate operational assessment of contemporary SME marketing philosophy and to gauge the effectiveness of current marketing programmes. A series of semi-structured interviews were conducted with the SME principals to explicitly assess the five dimensions of a marketing effectiveness audit, as suggested by Kotler (1977) to reiterate, the dimensions are:

- Operational efficiency
- Strategic orientation
- Adequate marketing information
- Customer philosophy
- Integrated marketing

It would be unwise to assume that a perfect dimensional mix or a set formula could be implemented. However, arguably they can be seen to represent predictors and / or indicators of the effectiveness of marketing operations. Respondents were asked to give their impression of 'how' their enterprises operated within the framework of this audit.

Small to medium enterprises' marketing activities have featured strongly in several studies. Carson (1990) stated that:

"Often practices, if they exist at all, are founded on traditional industry practices and experiences which may not be suitable when translated into use with small businesses. Often the result is inadequate marketing and business failure."

Albeit a pessimistic viewpoint, a pointer to the contention that some degree of planned marketing planning is required to increase the survival chances of the small enterprise.

A consistent theme can be identified from the 1980's and 1990's literature suggesting that an SME traditionally focuses on the idea and then attempts to find a market for it. Therefore, entrepreneurial innovation tends to flow from inventions that find a place in a marketplace, rather than through the compilation of measured research considering customer needs that are later satisfied through the planned supply of relevant new products and services.

Are SMEs too focussed on making a profit to spend time identifying a potentially more profitable future by analysing the potential and future marketplaces available to them? This question formed the foundation for:

HYPOTHESIS 1

H^o = SMEs do demonstrate operational efficiency

Hⁱ = SMEs do not demonstrate operational efficiency

Arguably, even successful entrepreneurs place a low-value on formal market research. They prefer to focus on operational activities that alert them to opportunities and threats within their immediate environment (Stokes and Wilson, 2006).

SMEs rely on their inter-personal and intra-personal relationships to market their enterprises. The formalised practise of relationship marketing has received a great deal of attention as advocates believe that its adoption can deliver sustainable customer loyalty (Webster, 1993).

However, an over-reliance on relationships may not in isolation deliver the real benefits a more strategic and long-term view could. More significantly, effective relationship marketing could

create a distinctive position for an SME if they can differentiate themselves from more 'conventional' opposition by being truly innovative (Chaston, 1997).

HYPOTHESIS 2

H^o = SMEs are strategically orientated

Hⁱ = SMEs are not strategically orientated

SMEs need to be bold in challenging the existing sector, performance and customer conventions. However, this approach does not negate the need to carry out market research. As Derek Bok, the former president of Harvard University once stated:

"If you thought knowledge was expensive, you should try ignorance."

One of the most crucial mistakes made by SMEs is assuming that a market exists for their product (Scarborough and Zimmerer, 2003). Although potentially time-consuming, an Ethnographic approach can pay enormous dividends at key points in an enterprise's journey.

HYPOTHESIS 3

H^o = SMEs amass adequate marketing information

Hⁱ = SMEs do not amass adequate marketing information

How effective are the current marketing efforts of SMEs?

The management style in some small firms often means there's no or little marketing planning, contributing to business failure (Fuller, 1994). The practice of marketing will invariably vary in its specific application in tune with each specific industry sector. Notwithstanding this fact many practitioners fail to capitalise on their industry knowledge in translating this into industry-specific marketing strategy.

Marketing defined by small business owners does not necessarily refer to the ‘classical’ view of marketing which proposes that the starting point for an enterprise should be to focus on customer needs. Small enterprise owners/managers tend to view marketing as a method to attract new business by employing tactics to attract new customers (Stokes and Wilson, 2006). Therefore, entrepreneurs are not in essence predisposed to adopting the classical view of marketing.

HYPOTHESIS 4

H^o = SMEs have a focussed customer philosophy and orientation

H¹ = SMEs do not have a focussed customer philosophy and orientation

Marketing at least within the format employed by large companies may not be appropriate for small firms. Small firms need to utilise a ‘brand’ of marketing that is unique to them (Carson *et al.*, 1995; Mackintosh and Tynan, 1994). Carson (1993, 1989) suggests that small firms are blighted by limitations which in turn can adversely affect their marketing competency. It is argued that their products and services will have minimal or limited impact in the marketplace. Although on a more positive note, some smaller firms can as a result of insightful planning succeed in achieving a substantial level of market penetration.

A continuum of marketing activity within SMEs is cited in Carson’s Model 5: *Stages of Marketing Development*. Those firms tend to emerge at the conclusion of an evolution process from reactive to proactive marketing.

HYPOTHESIS 5

H^o = SMEs do adopt an integrated approach to marketing

H¹ = SMEs do not adopt an integrated approach to marketing

A debate within published literature can be observed: whether the basic principles of marketing are equally valuable to both large and small enterprises? (Siu and Kirby, 1995). Whether SMEs can adopt scaled-down versions of larger enterprises marketing has yet to be fully explored.

A further complication is introduced when one considers the dynamic nature of marketing science (Baker, 1985a, 1985b). In addition to the volatility of a burgeoning discipline, a further complication is evident through the interface between entrepreneurship and small business (Wortman, 1986, 1987; Dickson and Giglierano, 1986; Slater and Narver, 1995). This friction and volatility has created a situation where a coherent framework for analytical consideration has yet to be unequivocally established.

However, several authors suggest that persistent marketing planning can be regarded as a prerequisite for success (Tyebjee *et al.*, 1983), but these authors fail to recommend sustainable methods by which enterprises can adopt a true marketing orientation within the limitations imposed through the structural issues of operating at a smaller scale.

Stokes (1995) in describing a paradox, that on one hand marketing is regarded as the preserve of the large enterprise yet small enterprises are often the personification of the marketing concept. Perhaps the consideration of market intelligence is a more refined method to audit SMEs marketing effectiveness as market intelligence effectively underpins all major marketing principles and concepts. A truly marketing orientated organisation undertakes information-related activities defined by Kohli and Jaworski (1990) as the:

‘organisation-wide generation, dissemination and responsiveness to market intelligence’.

If an SME is to survive it has to recognise and understand competitive pressures, technological change and volatile market conditions (Jocumsen, 2002).

Huang and Brown (1999) cited that SMEs encountered problems in both employing promotion and market research. That SMEs lacked the resources needed to capture information, effectively use data and develop a management information system. It is possible to suggest that a failure to understand marketing communications represents a common failing exacerbated by the over-reliance placed on *ad hoc* or personal recommendation sources of sales.

The scenario of small enterprise owner/manager as fire-fighter has become an accepted and oft-cited paradigm (Cannon, 1991; Churchill and Lewis, 1983). Advertising and marketing research

are frequently rejected because owner-managers perceive them to be expensive and difficult to quantify (Curran, 1988; Watkins and Blackburn, 1986).

The American Marketing Association (1985) confined marketing to that of a management function, thereby elevating its practise to a strategic position outside the day-to-day activities of the enterprise. A great deal of small business research is useful in identifying specific marketing practices, but fails to determine how and why smaller enterprises perform. Perhaps the greatest potential for research into SME marketing is the examination of the marketing implementation process (Siu and Kirby 1995; 1996).

Although it is accepted that SMEs have different characteristics than larger enterprises, can these differences be simply attributed to their relative scale? Mendham and Bannock (1982) state that the most significant difference between big and small firms is not their size, rather, the real differences concern objectives, management style, and marketing.

Essentially the fundamental concept of marketing planning is clear in SME operational marketing strategy, but there are a plethora of approaches describing the scope and function of the concept and equally as many ways of implementing it.

RESEARCH METHODOLOGY

We applied an audit approach to identify and quantify potential problem areas and to uncover potential opportunities which if implemented could improve the level of SME marketing performance. The audit was presented to SMEs who were subsequently invited to participate in an interview, where they could expand on their marketing audit responses.

We opted to use an on-line approach to afford local (East of England) entrepreneurs the most efficient and least time-consuming method available to them to complete the survey. Additionally, the snap™ survey results could be readily exported to *SAS* and *SPSS* to facilitate the compilation of further and more advanced analysis.

A web-link hosting the online questionnaire was duly e-mailed to some 750 SMEs based in the East of England region. Initial data was collected through a return of 117 completed questionnaires.

There are some notable advantages of adopting an online-questionnaire methodology, including: reduced costs, increased response rate (compared to postal surveys), shortened data collection-analysis-presentation cycles and enhanced interactivity of research materials (Stanton and Rogleberg, 2001). Statistical analysis using SPSS software was applied to analyse the data presented by 117 on-line respondents.

This initial activity was augmented by (20) face-to-face in-depth interviews conducted with SME owner/managers. These interviews facilitated a deeper qualitative probe than a survey permits one to conduct; and to construct a platform by which we could test whether the views expressed within the questionnaire responses were consistent with actual SME operational marketing communications practice.

The qualitative data amassed from the transcription of the in-depth interviews was collated and inductively analysed and interpreted. The information gathered from these interviews provided the researchers with a rich picture of actual marketing practice, owner/manager attitudes to marketing and a notable set of operational promotional issues.

The latter were in stark contrast to the findings collated from the analysis of the quantitative data. At interview SME owner / managers did not present a consistent set of competencies as they had claimed in their questionnaire responses. Several key marketing operational deficiencies were identified that enabled the researchers to construct a series of research questions, these are listed below:

- *How well is the present role of marketing defined?*
- *Is the right information gathered?*
- *How good is the information?*
- *How effectively is the information used?*
- *Are the correct processes in place?*
- *Are the basic marketing concepts understood?*
- *Are the appropriate procedures in place?*

One of the limitations to the research methodology was the geographic scope, which was limited to some areas of the East of England region, namely those based in Essex, Cambridgeshire, Hertfordshire, and Bedfordshire. We used an SMEs database administered by the “Knowledge Hub” at the University of Bedfordshire Business School, which although current restricted our outreach and accessibility to all SMEs working in the entire East of England region.

Another limitation was the scope of the understanding SME principals assign to their marketing procedures. Respondents are influenced by their schema of beliefs and values in implementing marketing and sales planning. As a consequence they do not readily consider other methods outside those they routinely employ. This habitual practice effectively limits the depth and scope of the research as a wider and richer variety of marketing communications could not be observed.

RESULTS

Operational Efficiency

As identified earlier in this paper the issue of operational efficiency was one raised by within the context of this research. The following hypothesis was drawn:

H^0 = SMEs do demonstrate operational efficiency

H^1 = SMEs do not demonstrate operational efficiency

In many cases, respondents have not (for a variety) of reasons recorded and assessed their efforts then they are effectively ‘flying blind’ as they do not truly know what works and what doesn’t, they cannot with any certainty scientifically assess their promotions.

Equally, they do not systematically employ and collect data; this represents a very serious operational error.

It was found that effective marketing communications were significantly related to how successful the current marketing strategy is perceived to be at the 1% level.

$B = 0.294, t(93) = 3.063, P = 0.003$

Classically, respondents proved to be product not marketing led; any new business opportunities they discovered were largely as a result of assumption and gut-feeling. Methods used to evaluate their marketing communications are outlined below:

“No not really, we go door to door and we hope customers will tell their friends about us.”

“No I am busy enough and need to look after myself. I haven’t got the time and space to do this, so no.”

Respondents at interview were asked to complete an additional measure of ‘operational efficiency’. When they were asked to rate their enterprises against 5 key criteria. The results of the ratings are outlined in the table below: (respondents were asked to rate these from **1**. Absolutely agree to **5**. Absolutely disagree) $n=20$.

The questions were:

A. Marketing Communication leads to guaranteed business	2.79
B. We could not survive without marketing communication	2.36
C. We are doing well without marketing communication	3.64
D. We need more help with marketing communication	2.36
E. Marketing is needed for the growth of our company	1.86

There is clearly a lack of operational efficiency demonstrated in these firms with a strong indication that organisations need assistance with marketing to make the most of their opportunities. This information leads to the rejection of **H⁰** that firms are operationally efficient. Therefore, accepting **H¹** that firms are not operationally efficient.

Strategic Orientation:

The consideration of strategic marketing orientation is a key driver of marketing effectiveness and was employed to extrapolate the second hypothesis.

H^o = SMEs are strategically orientated

Hⁱ = SMEs are not strategically orientated

Respondents were asked several questions pertaining to the strategic direction they assigned to their enterprises. Universally, responses related to ad-hoc arrangements and on-off campaigns. A common response was that they had attempted a course of action and their experience had been negative. They could not offer any evidence of analysis of the contributory reasons why a particular marketing activity had not been successful:

“To be honest, yeah, we’ve tried marketing before: papers, leaflet drops and everything like that and it’s never been successful. We must get calls 5 or 6 times a day asking us for to advertise, but it’s just not worth doing. When we’ve tried it in the past we just don’t get any feedback. I think you need to do it regularly and the price of marketing to us is too costly to be able to do regularly. So if you only do it say once every six months no takes notice of that little ad in the paper. It just disappears you need to be in there every week. Especially for the sort of business we are. It needs to be something that people can regularly remember.”

The sentiments expressed in the quotes above, capture the essence of the respondents’ attitude towards their strategic marketing direction. Outside their comfort zone of familial methods, they have only *dipped their toes in the water*. If immediate results failed to materialise then this specific course of action was hastily abandoned.

It was found that where contingency planning was in place this was significantly related to how successful the current marketing strategy is perceived to be at the 1% level

B = 0.485, t (93) = 4.854, P < 0.001

Less than half (47.2%) of businesses claim that their enterprises purpose, vision, mission and values are clearly defined, communicated and routinely monitored.

This evidence demonstrates the business owner's believe that their actions (at least to some extent) are strategically orientated. However, flaws in the process and identified that the actions taken may not be as strategic in approach as the owners originally reported. Therefore there are grounds to suggest the rejection of H^0 that SMEs are strategically orientated. Supporting H^1 , that firms are not strategically orientated.

Adequate Marketing Information

SME marketing techniques have sometimes been criticised as likely to be haphazard, informal, loose, unstructured, spontaneous and reactive (Gilmore et al., 2004); whether one supports this view is debateable.

It is important to consider the role of information as a base for strategy as identified in the literature. Therefore, the third hypothesis is derived as follows:

H^0 = SMEs amass adequate marketing information

H^1 = SMEs do not amass adequate marketing information

Whether an enterprise's marketing information is adequate is perhaps a less contentious point. The respondents clearly understood the importance and scope of marketing. They were universally comfortable in describing in some detail what marketing meant to them. They were equally well informed on how sales and marketing practices interacted.

“So I can give you my take on what the difference is and I am sure it echoes what many other people have said in that marketing happens so that sales can happen’. ‘In my area of expertise which is relationship marketing it’s everything you do to ramp up the relationships so you get people together and if we admit that sales is a relationship game and even with the quick on line stuff permission marketing you still got to build some kind of relationship.”

Where they were less convincing was in response to the question of what type and scope of marketing information they compiled. Responses generally clustered around a very reactive approach:

“No not really, we go door to door and we hope customers will tell their friends about us.”

To a slightly more organised approach:

“The biggest problem is ‘F.T.I.’ failing to implement, actually running into the problem of time and money to do something about it. So I suppose networking is top of our list and we get at least a third of our business comes through BNI we attend the Knowledge Network we attend the Institute of Directors, we attend chambers of commerce – however, none of those produce anything visibly specific.”

Not too surprisingly, SMEs rely on local knowledge, associates, acquaintances and networks to reach markets. They do not routinely and systematically gather information and collate this as data. A consequence of this inactivity is they are reliant on a single method / strand of information. Even while utilising this information they do not routinely record vital socio-demographic and operational contact details of their customers.

Only 48% of respondents were clear about what makes them different to their competitors and only 38.2% had conducted a study of their markets, customers or competitors within the last month. Furthermore, only 28.5% of respondents believed that they used this information effectively.

Respondents were not universally effectively using a marketing database. Some typical responses were:

“Yes it’s computerised and uses Access, we try to keep it up to date, but it is hard to achieve this day to day as we are busy and some jobs no matter that they are important are put on the back burner in reality.”

“Not per se, no, it’s one of the things I’ve got to look at it has been suggested that I start doing one at least with engineering firms together with direct mail and that

means compiling a database. I'll sort that one out as and when, in the next 2 to 3 months, I need to learn how to do different databases properly."

Only 39% of respondents considered the potential size and profitability of different customers, segments, products and orders. However, SMEs cannot simply replicate larger organisations' 'conventional marketing' because of the limitations of resources which are inherent to all SMEs.

The perceived knowledge of potential size and profitability of different segments was significantly related to how successful the current marketing strategy is perceived to be at the 5% level

$B = -0.203, t(93) = -2.220, P = 0.029$

Notwithstanding this observation, by building the marketing budget around a specific target the adoption of meaningful marketing valuable resources could be marshalled to concentrate on the issues or messages that matter most to SMEs. This could help SMEs to avoid wasting unnecessary time, money and effort.

Without a systematic and proactive approach the SME will simply be guessing and / or constantly chasing new customers to replace the existing customers they failed to reach.

In addition to the ambivalent attitude the respondents displayed to their use of data, or the systematic use of a database they also making failed to use a website. Thereby, effectively ignoring an increasingly important channel of communication, and as a consequence failing to realise a significant business generating opportunity.

Only two respondents from some twenty in-depth interviews referred to a website. These references were made indirectly, often while responding to other questions:

"To be honest with you the only thing we are doing at the minute is setting up the website, because more and more people need the e-commerce, we don't do anything in the media or leaflet drops or anything like that."

The responses listed above demonstrate that although most of the organisations do use information, it is invariably drawn from a very narrow set of sources. Whether this information is ‘adequate’ and the suitability of the level of information that is obtained would seem to be very debateable. The level of information obtained is at best at the basic level and not in a format to be used effectively, and is therefore largely inadequate. As a result we reject H^0 that SMEs amass adequate marketing information and accept H^1 that firms do not amass adequate marketing information.

Customer Philosophy and Orientation

In the survey nearly one in five companies (19.5%) employed little or no marketing planning. Furthermore, only 36.5% of businesses have formally planned and monitored contingencies. Enterprises that are desirous of marketing effectiveness are required to promote a culture that places a focus on the long-term needs of its customers. Thereby, providing a firmer base to make decisions to upgrade service quality, to innovate to diversify could be evaluated on the basis of probable return. Investment is required which if planned, is more likely to lead to a long-term customer satisfaction which, in turn, is likely to lead to increased marketing effectiveness.

H^0 = SMEs possess a focussed customer philosophy and orientation

H^1 = SMEs do not possess a focussed customer philosophy and orientation

A somewhat mixed picture emerged regarding the effectiveness of a customer philosophy. Respondents were asked how they planned to contact potential and new customers. A common response is outlined below:

“There’s no real plan, we leaflet the local areas, put menus through doors and place ads in the local papers. We tried the radio once, but it wasn’t much good. We don’t use the local papers because they don’t work.”

There were examples of more considered customer recruitment strategies, but these responses still demonstrate a reliance on networking:

“In our minds we know what we want to achieve and what we are looking at is where our business opportunities lie, and for example for us, we feel that our

business opportunities are about us going down towards London, because for our sort of business although there are a lot of people in London, that provide our sort of service it still seems to be a big, untapped reservoir. So that's how in our minds we have identified areas we want to go to in the future, to do our networking, we are confirming that in the meetings we are having."

The respondents appear to place an extremely strong (over?) reliance on networking, associations and referrals. A potential problem in doing this is that they are effectively narrow-casting. The survey showed that only 43.1% of respondents make more than a tentative effort to develop different plans for different parts of their marketplace. Customers, especially new ones will not necessarily be obtainable through the use of a single promotion channel.

This reliance on a single channel suggests that many potential customers are overlooked and are effectively inaccessible within the communication channels adopted by many SMEs. This intelligence supports the rejection of H^0 that SMEs possess a focused customer philosophy and orientation, and the acceptance of H^1 that SMEs do not possess a focused customer philosophy and orientation.

An Integrated Marketing Approach

An integrated marketing approach encompasses the company's knowledge and resources to create a position where a consistent and unified communications strategy is targeted to reach a defined marketplace. It is therefore, important to identify whether SMEs adopt an integrated approach hence the adoption of the following hypothesis:

H^0 = SMEs adopt an integrated approach to marketing

H^1 = SMEs do not adopt an integrated approach to marketing

Although an operation demanding some considerable resources little evidence was gathered that respondents had considered or routinely used integrated techniques. Research demonstrated that less than half (49.6%) take a whole-system view when planning their business.

"As far as marketing is concerned I suppose it's something one has to do I suppose, 50% of one's business you don't know where it comes from, certainly in our case we

are investment managers and people walk through the door, sometimes they know how they got our names other times they don't I suppose we suffer as I am sure others do."

There were common expressions of understanding of the marketing 'problem', but little evidence that a consistent strategy was planned to attempt to address the perennial issue of recruiting new customers. Only 37.4% of the respondents claimed that their marketing efforts were fully integrated and controlled.

It was found that the harmony of marketing efforts was significantly related to capacity to react quickly at the 1% level.

$B = 0.321, t(96) = 2.878, P = 0.005$

There were some examples of a longer-term and integrated approach as outlined below:

"So we now have a product implementation plan, introduction plan and to keep it very brief we have stages within that where you can identify a need in the market again because of certain feedback and competition doing something or it could even be reactive where you access to a new product so you think great that would suit our customers we need to see how we could slot that in into our current practices."

More than four in five (80.5%) of the respondents claim that they have some form of new product / service development system. Examples of planning and attempts to integrate were observed, however, these were not the norm. Furthermore, even when respondents did employ good practice, they failed to record, monitor and review these practices.

"We do not monitor, but we think we know roughly from where the business has come, that they have walked into the door, but we have not been more sophisticated than that."

Only 29.3% of respondents stated that the marketing effort was communicated and implemented successfully. Furthermore, it was identified in the survey that only half (50.4%) consider that they

make a substantial effort to measure and improve the cost effectiveness of their marketing. Some examples of attempts to integrate were observed as outlined below:

“At the moment a mixture of promotional activities and directions, we are particularly focussed on low risk high return marketing, at the moment buying data for mailing lists, quality data, looking for the right type of companies, then we follow that up with phone calls, equally my business is business clubs so an important part of my marketing is networking, so going to other events, meeting people and getting my name out there.”

Although commendable, the reliance on networking is omnipresent. Only one in three (33.3%) respondents stated that they are using resources effectively. A theme contained within the response reported above, is echoed by many respondents. That they practise ‘low-risk, high-return’ marketing. This claim requires an evidential base built up systematically over time. Little real evidence was observed that such an objective and empirical base of evidence was systematically compiled.

This information highlights the attempts of SMEs to adopt an integrated approach that does not demonstrate competence in most cases. The information culminates in the rejection of H^0 that SMEs adopt an integrated approach to their marketing and the acceptance of H^1 that SMEs do not adopt an integrated approach to their marketing.

DISCUSSION AND IMPLICATIONS

The application of the audit approach was implemented to engender a systematic, comprehensive and independent method to capture quantifiable data. Through which, we aimed to garner and to measure the effectiveness of current SME marketing programmes. A series of interviews were undertaken to test and verify the responses recorded in the audit section.

The dual quantitative and qualitative approach was implemented to isolate problems and to highlight concerns the existent literature suggested: that SMEs do not routinely employ strategic planning. Our objective therefore was to uncover areas to enable us and others to populate frameworks for marketing training needs analysis and to provide agencies with specific action points to facilitate their activity in supporting both fledgling and established enterprises.

Some very specific areas for concern were revealed. Although not immediately apparent within the questionnaire responses, at interview, these significant weaknesses were teased out. These mirror some, if not all of the marketing problems suggested by Kotler (1977) and included:

- *Insufficient knowledge of customers' behaviour and attitudes*
- *Failure to effectively segment their marketplace*
- *Lack of a planning process*
- *Misunderstanding their marketing strengths*
- *Adopting a narrow short-term view of promotion*

The constraints operating upon SMEs are well documented and traditionally gravitate around time and money deficiencies. These constraints were often raised by respondents during their interviews. However, recognizing common operational constraints do not move enterprises along, nor do they provide owner / managers with any currency to implement improvements.

Even within their over-optimistic responses to the audit questionnaire clear training needs emerge, a significant result of **1.86**, to the statement *marketing is needed for the growth of our company* suggests that the need for marketing is clearly identified by all respondents.

A worrying counter-point is also identifiable in that, the same respondents rated their agreement (with a score of **3.64**, where 5 was the maximum) to the statement: We are doing well without marketing. Demonstrating that despite their view that marketing was needed, they retained some degree of indifference to the operational effectiveness of marketing within their enterprise's development.

This latent indifference was further supported by the majority of views respondents expressed at their interviews. They made repeated references to their reliance on networking and existing

customers. The implications of these actions are clear, that they are not necessarily well placed to adapt to changes in market and economic conditions.

The SMEs surveyed displayed a 'brittle' policy whereby they conducted marketing and routinely retraced previous activities. These activities are further complicated by their consistent failure to comprehensively record and monitor their marketing activities. They also demonstrated little in-built flexibility within their strategy to develop new ideas and products. A further implication of this failure is their inability to develop a commercially valid understanding of their customers and marketplaces.

Equally, they failed to demonstrate a clear and robust recording and monitoring of customer behaviour. Consequently, they are relying on the status quo continuing and therefore, continue to fail to scientifically conduct audits of a) opportunities and b) further and future needs of their customers.

The failure to systematically plan, review and monitor provides a variety of interested publics with an opportunity to provide marketing training and development opportunities. This provision however, needs to reflect the nature of SMEs in providing timely and affordable programmes and courses.

The nature of these programmes, if sympathetically tailored, to support and develop SMEs could make a major contribution in helping them to develop the requisite infrastructure to develop a planned and systematic approach. To assist them to record and monitor marketing activity to improve their current levels of understanding, but perhaps more importantly to implement more effective plans for future marketing development and future expansion.

CONCLUSION

If SMEs continue to over-estimate the effectiveness of their marketing programmes; they may fail to achieve their full potential and consequently fail to maximise the benefits associated with sound marketing practice.

Their ability to fully understand their marketplace and become truly competitive relies on SMEs developing a deeper and systematic understanding of their current marketing decision making processes through a planned and thorough adoption of more robust and more strategically-focussed procedures.

This article aimed to audit the effectiveness of current marketing practices employed by SMEs. In gathering this intelligence we sought to provide data and information to inform several organisations including Government and business development agencies/organisations to assist them in developing a greater insight into the nature and scope of regional SME marketing training needs.

Potential marketing training needs clearly exist which could provide several stakeholders with a foundation from which they could facilitate SMEs marketing development; to uncover opportunities to build sustainable and customer relationship management expertise for both existing and potential entrepreneurs.

SMEs are currently placing a great emphasis on their regional networks and their existing customer base. In doing so they are failing to gain a deeper insight into the 'true' nature of their customers and equally may be failing to capitalize on opportunities and possibilities to *up* and *cross* sell to these customers. Perhaps more importantly, by slavishly using the same methods to approach the marketplace SMEs will not be able to quickly react to new and emerging market opportunities.

In essence SMEs are repeating the 'classic' mistakes of larger organizations in assuming, guessing and making gut-feel decisions. If these decisions are misplaced the consequences could be and are often are grievous.

Additionally by adopting a pattern of familial behaviour, SMEs are failing to develop new methods and/or experiment with different approaches. Notwithstanding, the possibility of failure in doing so, how will SMEs develop if they do not adapt and adopt new methods to reach existing and potential marketplaces? If they simply replicate actions and activities they could be systematically replicating errors and failure!

In replicating existing activity SMEs are also failing to use the most suitable method to sell or market to a specific customer base. In adopting such a strategy an SME is employing a 'one size fits all approach' thereby failing to differentiate their marketplace and failing to target and position their products and services as effectively as they could do.

SMEs are uniquely placed in close proximity to the marketplaces they seek to sell and market to. They do need to be vigilant to be careful in not becoming complacent by using familiar methods to reach their market. To comprehensively face their customers, SMEs do need to be more systematic and scientific in maintaining quality records, using databases and consistently reviewing and evaluating methods they have used to market their goods and services. The rapid development of digital and social networks places a greater need for all organizations to deliver effective and relevant communications across an ever-widening and fragmenting marketing landscape.

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Appendix

Statistical summary:

Regression 1

Dv What contingency thinking/planning do you currently employ?

Iv's What business sector do you operate in?
 How many employees do you have?

Adjusted r square 0.161

The model demonstrated significance at the 1% level.

$F(2,109) = 11.668, P < 0.001$

It was found that the number of employees was significantly related to the level of contingency planning at the 1% level

$B = 0.387, t(109) = 4.184, P < 0.001$

It was found that the sector was not significantly related to the level of contingency planning

$B = 0.053, t(109) = 0.844, P = 0.401$

Bivariate correlation = 0.350 no multi colinearity.

Regression 2

Dv Do you have the capacity to react quickly and effectively?

Iv's Are your marketing efforts in harmony with sales and research?
 Do you develop different plans for different parts of your market place?
 Do you know what makes you different from your competitors?
 Are your marketing efforts integrated and controlled?

Adjusted r square 0.221

The model demonstrated significance at the 1% level.

$F(4,96) = 8.105, P < 0.001$

It was found that the harmony of marketing efforts was significantly related to capacity to react quickly at the 1% level

$B = 0.321, t(96) = 2.878, P = 0.005$

It was found that the integration and control of the marketing efforts was not significantly related to capacity to react quickly

$B = 0.160, t(96) = 1.426, P = 0.157$

It was found that the developing different plans for different markets was not significantly related to capacity to react quickly

$B = 0.132, t(96) = 1.382, P = 0.170$

It was found that knowledge in what makes you different from your competitors was not significantly related to capacity to react quickly

$B = 0.081, t(96) = 0.663, P = 0.509$

Bivariate correlation range from = 0.266 to 0.508 no multi coliniarity.

Regression 3

Dv How successful is your current marketing strategy?

Iv's How effectively is your marketing effort communicated?

How extensive is your formal market planning?

How well do you know the potential size and profitability of different segments?

How effectively do you use the information gained from market research?

What contingency thinking/planning do you currently employ?

Adjusted r square 0.501

The model demonstrated significance at the 1% level.

$F(5,93) = 20.710, P < 0.001$

It was found that the what contingency planning was in place was significantly related to how successful the current marketing strategy is perceived to be at the 1% level

$B = 0.485, t(93) = 4.854, P < 0.001$

It was found that the how effectively the marketing efforts were communicated was significantly related to how successful the current marketing strategy is perceived to be at the 1% level

$B = 0.294, t(93) = 3.063, P = 0.003$

It was found that the perceived knowledge of potential size and profitability of different segments was significantly related to how successful the current marketing strategy is perceived to be at the 5% level

$B = -0.203, t(93) = -2.220, P = 0.029$

It was found that a perception of how effectively companies use the information gained from market research was not significantly related to how successful the current marketing strategy is perceived to be

$B = 0.124, t(93) = 1.362, P = 0.176$

It was found that how extensive is your formal market planning is, was not significantly related to how successful the current marketing strategy is perceived to be

$B = 0.063, t(93) = 0.577, P = 0.566$

Bivariate correlation range from = 0.177 to 0.626 no multi coliniarity.